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FISCAL IMPACT STATEMENT

LS 7851

BILL NUMBER: HB 1738

NOTE PREPARED: Feb 15, 2007

BILL AMENDED: Feb 13, 2007

SUBJECT: Use of Outside Water Resources by Water Utilities.

FIRST AUTHOR: Rep. Welch

FIRST SPONSOR: Sen. Gard

BILL STATUS: As Passed House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that a water utility may not withdraw or transfer water from a reservoir outside the utility's service territory without first obtaining a certificate of public convenience and necessity from the Utility Regulatory Commission (IURC). The bill requires an applicant for a certificate to provide the following to the IURC: (1) Certain data on existing and projected customer bases and demand for water by the utility's customers. (2) Proof that notice of the application has been given to communities and water utilities affected by the applicant's proposed use of the outside water resource. (3) An assessment by the Department of Natural Resources (Department) of the effect of the utility's proposed use of the outside water resource. The bill allows the Department to conduct certain activities and studies to prepare an accurate assessment of the proposed use of the outside water resource. The bill also requires the IURC to hold a hearing on an application for a certificate in each county in which the outside water resource is located. This bill requires the IURC to consider certain factors in deciding whether to issue a certificate. The bill provides that the IURC shall issue a certificate if the IURC determines that public convenience and necessity require the proposed withdrawals from the outside water resource. The bill provides that a water utility that is issued a certificate is subject to the terms and conditions of use prescribed by the IURC. The bill also allows the IURC to revoke, suspend, or modify a certificate under certain circumstances. This bill allows the IURC to adopt rules, in consultation with the department, to implement the certification process. The bill prohibits sale, lease, exchange or transfer of certain water rights in Charlestown State Park without the approval of the River Ridge Development Authority.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill will cause an indeterminable increase in the administrative costs of the Utility Regulator Commission (IURC). The bill would require the IURC to pass and amend rules,

and develop procedures to provide certificates of public convenience and necessity to any water utility who seeks to withdraw or transfer water from an outside water resource. It is estimated that the IURC could implement the provisions of this bill through the use of existing staff and resources.

This bill will also increase the administrative costs of the Department of Natural Resources (DNR). The bill requires a water utility who seeks to withdraw or transfer water from an outside water resource to obtain a certification of public convenience and necessity from the IURC. The bill requires that a water utility seeking this certification submit an assessment prepared by the DNR which evaluates the effects of the water utility's proposed withdrawals on the outside water resource. It is estimated that the DNR could implement this provision through the use of existing staff and resources.

Background: The operating budget of the IURC is currently funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.15% of their gross intra-state operating revenues to fund the IURC. In FY 2006, fees from the utilities and fines generated approximately \$11.8 M.

According to the January 1, 2007 vacant positions report, the DNR had a total of 207 vacant positions valued at approximately \$6.25 M. The DNR, in FY 2006, reverted \$16.2 M.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The bill prohibits sale, lease, exchange or transfer of certain water rights in Charlestown State Park without the approval of the River Ridge Development Authority (RRDA). This provision could increase the administrative expenditures of the RRDA.

Explanation of Local Revenues: (Revised) The bill prohibits sale, lease, exchange or transfer of certain water rights in Charlestown State Park without the approval of the River Ridge Development Authority (RRDA). This provision could impact local revenues to the extent that these water rights are not sold, or sold at a rate different than what would be negotiated under current law. The impact is indeterminable and will depend on the administrative actions of the RRDA.

State Agencies Affected: Utility Regulator Commission, Department of Natural Resources.

Local Agencies Affected: River Ridge Development Authority.

Information Sources:

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